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Message Text

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ACTION COME-00

INFO OCT-01 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00
DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 OIC-02
/090 W
----------101179 280557Z /13
R 271719Z JUL 77
FM USMISSION GENEVA
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E.O. 11652: NA
TAGS: GATT ETRD
SUBJ: WORKING PARTY ON EXPORT INFLATION INSURANCE

REF: A. STATE 144599, B. STATE 169951, C. STATE 129025

1. SUMMARY: WP MET JULY 25-26 TO COMPLETE ARGUMENTS ON EII BUT REACHED A STALEMATE OVER DRAFTING OF WP REPORT. WP WILL MEET AGAIN SEPT 12-13 AFTER BILATERAL DISCUSSIONS ATTEMPT TO BREAK DEADLOCK. END SUMMARY.

2. JULY 25-26 SESSION OF WP ENDED IN DEADLOCK AS SEVERAL DELS OFFERED LENGTHY AND SUBSTANTIVE AMENDMENTS TO DRAFT WP REPORT CIRCULATED BY THE GATT SECRETARIAT. FINAL ARGUMENTS RAISED NO NEW POINTS AND WERE LARGELY REPETITIOUS OF PREVIOUS STATEMENTS. UK STATEMENT EMPHASIZED LACK OF EVIDENCE OF DUAL PRICING AND OFFERED STRONG JUSTIFICATION OF SELF-FINANCING AS A CRITERION BY WHICH TO JUDGE THESE SCHEMES; WE RE-BUTTED BOTH ARGUMENTS AT LENGTH. EC SPOKESMAN CONTINUED TO CLAIM EXCHANGE GUARANTEE SCHEMES AS WITHIN THE TERMS OF REF-ERENCE BUT ACKNOWLEDGED THAT, IN LIGHT OF FAILURE OF OTHERS TO SUPPLY INFORMATION, NOTHING FURTHER COULD BE
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SAID ON SUBJECT IN WP. FOR FIRST TIME (OTHER THAN NOTING DIFFICULTIES EC HAS UNDER ARTICLE 92 OF ROME TREATY), EC SPOKESMAN ADDRESSED EII, SAYING THAT SCHEMES SHOULD BE JUDGED BY THEIR LONG-TERM COST TO THE GOVERN-MENT, ANALOGOUS TO CRITERIA FOR EXPORT CREDIT GUARANTEES IN 1960 ILLUSTRATIVE LIST.

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3. CONTENTIOUS ISSUES WITH RESPECT TO WP REPORT CENTERED ON THREE POINTS: EXCHANGE GUARANTEE SCHEMES, SELF-FINANCING AS A CRITERION FOR CLASSIFICATION OF EII AS SUBSIDIES AND THE REPORT'S CONCLUSIONS.

4. ON EXCHANGE GUARANTEE SCHEMES, THE EC ATTEMPTED TO INSERT THREE LENGTHY PARAGRAPHS INTO REPORT DESCRIBING RELEVANCE OF EXCHANGE GUARANTEE SCHEMES TO WP TERMS OF REFERENCE, AND THE SWISS COUNTERED WITH SEVERAL PARAGRAPHS REBUTTING THE EC. WE ARGUED THAT DRAFT SECTION ON EXCHANGE GUARANTEE SCHEMES SHOULD REMAIN IN BRIEF SUMMARY FORM DRAFTED BY SECRETARIAT, MERELY NOTING DIFFERENCES OF VIEW, BECAUSE TO INCLUDE SEVERAL NEW PARAGRAPHS WOULD UNBALANCE REPORT, MAKING IT APPEAR THAT EXCHANGE GUARANTEE SCHEMES WERE CONSIDERED EQUALLY WITH EII (WHICH IS OBVIOUSLY WHAT EC WAS TRYING TO ACCOMPLISH).

5. AT LAST MINUTE, EC ALSO SUGGESTED LANGUAGE THAT WOULD HAVE HAD WP AGREE THAT EII SHOULD BE EXAMINED IN TERMS OF THEIR LONG-TERM COST TO THE GOVERNMENT AS ONE MEANS OF CLASSIFYING THEM AS SUBSIDIES, USING THE CRITERION IN PARA (F) OF 1960 ILLUSTRATIVE LIST. EC NOTED THAT STATEMENTS BY OTHER DELS (WITH EXCEPTION OF U.S.) SUPPORTED THIS VIEW. WITH CANADIAN SUPPORT, WE WERE ABLE TO BLOCK THIS MOVE, ALTHOUGH EC APPARENTLY HAS NOT
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GIVEN UP TRYING TO HIGHLIGHT THIS ARGUMENT IN THE WP REPORT.

6. ON CONCLUSIONS, U.S. OFFERED REVISIONS TO SECRETARIAT DRAFT ALONG LINES OF PARA 2 REF (A). EC ARGUES THAT SINGLING OUT OF FRENCH SCHEME BY NAME WAS UNPRECEDENTED AND TOTALLY UNACCEPTABLE AND ARGUED THAT STATEMENTS ALLUDING TO "THOSE MEMBERS NOT MAINTAINING EII SCHEMES" OR "ALL" WERE CLEARLY UNSUSTAINABLE. BOTH SWEDES AND SWISS INDICATED PRIVATELY AFTER THE MEETING THAT THEY PREFERRED THE MORE NEUTRAL LANGUAGE OF THE SECRETARIAT DRAFT AND WOULD HAVE HAD DIFFICULTY ASSOCIATING THEMSELVES WITH U.S. SUGGESTED CONCLUSIONS. ONLY CANADA APPEARS WILLING TO PUSH FOR STRONGER LANGUAGE IN THE CONCLUSIONS ALONG THE LINES OF U.S. DRAFT.

7. EC ALSO TRIED TO BLOCK REPEATED U.S. ATTEMPTS TO INCLUDE IN WP REPORT REFERENCES TO SELF-INCRIMINATING STATEMENTS OF DELS WHOSE COUNTRIES MAINTAIN EII SCHEMES OR HAVE CEASED TO OPERATE THEM, SUCH AS ITALY AND SPAIN.

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8. IN VIEW OF IMPASSE, CHAIRMAN CALLED FOR RECESS UNTIL FRIDAY, ASKING DELS TO ATTEMPT TO RESOLVE ISSUES BILATERALLY. EC, CITING NEED TO THINK MATTER OVER, ASKED THAT MEETING BE POSTPONED UNTIL SEPTEMBER. WE POINTED OUT THAT WE HAD ALREADY DELAYED JULY MEETING BECAUSE OF EC REQUESTS, URGED DELS TO MEET THIS WEEK, AND , IF NECESSARY, OFFERED TO MEET IN AUGUST. WHEN EC MADE IT CLEAR IT UNABLE TO MOVE BEYOND STATED POSITIONS BETWEEN NOW AND FRIDAY, WE RELUCTANTLY AGREED TO RECONVENE SEPT 12-13, SINCE REPORT COULD STILL BE COMPLETED IN TIME FOR NEXT GATT COUNCIL.

9. COMMENT: EC ATTITUDE AND POSITIONS TAKEN AT MEETING WERE CONSIDERABLY MORE RIGID THAN WE HAD BEEN LEAD TO
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EXPECT, AS LATE AS WEEK PRIOR TO MEETING. EC SPOKESMAN ADMITTED PRIVATELY THAT HE DOES NOT HAVE FLEXIBILITY ON THIS ISSUE BECAUSE OF DIFFERING MEMBER STATE VIEWS AND HE MUST CAUCUS WITH THEM OVER EVERY WORD CHANGE. WE SUSPECT THAT COMMUNITY IS UNDER INCREASING PRESSURE FROM FRANCE AND UK, THE TWO MEMBERS CONCERNED, TO PROTECT THEIR INTERESTS MORE. WP MEETING, FALLING ON DAY AFTER TEXTILE MFA RENEWAL NEGOTIATED, WHERE SOME STATES FELT COMMISSION WAS GOING FURTHER THAN THEY COULD ACCEPT, MAY HAVE BEEN VICTIM OF FALL-OUT FROM THAT BATTLE. IN ANY CASE, IT WAS EVIDENT THAT WE COULD HAVE COMPLETED WP ONLY BY ACCEPTING WP REPORT CONTAINING A NUMBER OF SIGNIFICANT ELEMENTS CONTRARY TO INSTRUCTIONS REFTELS. WE ARE HOPEFUL THAT MONTH'S REFLECTION PLUS BILATERAL DISCUSSIONS WILL INDICATE MORE FLEXIBILITY IN EC POSITION. TOWARD THIS END, EC AND U.S. DELS WILL MEET THIS WEEK TO DISCUSS REPORT. VANDEN HEUVEL

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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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